

# tipsheet



**Alberta**  
CONSUMER AND  
CORPORATE AFFAIRS

## TRAVEL AGENCIES AND INSURANCE

CANADIANA

FEB - 7 1989

Once an agency or tour operator closes its doors, there is little you can do to get your money back. Therefore, it is important to deal with a reputable agency or tour operator. While travelling, you can also protect yourself with various kinds of travel insurance.

### CHOOSING A TRAVEL AGENCY

Ask lots of questions when you talk to an agent.

- \* How many years has the agency or operator he works for been in business?
- \* Does he have first-hand travel experience?
- \* Has he completed a training program?
- \* Does he or his agency belong to a travel agents' association or other related organization?

Canada's national association for travel agents is the Canadian Institute of Travel Counsellors (CITC). It monitors professional standards and training and offers approved courses for travel agents. Membership in the institute is voluntary and numbers more than 3,000. Over 2,000 of these members are Certified Travel Counsellors (CTCs) who have passed CITC-administered exams and worked three years as full-time travel agents.

Some travel agencies are affiliated with trade associations. Look for International Air Transport Association (IATA) identification. This means that the agency is authorized to sell tickets for IATA member airlines. Air Transport Association of Canada (ATAC) identification indicates that the agency is authorized to sell domestic airline tickets. To qualify for affiliation with these associations, agencies must meet various criteria including financial and staffing requirements.

Find out if an agency belongs to the Alliance of Canadian Travel Associations (ACTA). ACTA members must meet various criteria and follow a code of standards and ethics.

### TRAVEL INSURANCE

Before buying travel insurance, find out what coverage you already have:

- \* Lost or stolen luggage may be covered by your personal property insurance.
- \* Your car insurance may provide collision and liability coverage for rented automobiles.
- \* Your Alberta Health Care provides some degree of medical coverage while you are out of the province.



There are several kinds of travel insurance covering many situations that could ruin a holiday. But travel insurance doesn't cover everything that could happen. And, there could be exclusion clauses. Read all policies carefully and shop around for the best coverage.

### **DEFAULT INSURANCE**

If a travel agency or tour operator goes bankrupt or becomes insolvent before you receive the service, you could lose the money you paid to the agency. To avoid this problem some form of default insurance would be useful. Unfortunately, this type of insurance is not widely available to consumers.

Some travel agencies will cover customers' losses which are caused by the default of suppliers such as tour operators. The coverage is provided only if customers purchase trip cancellation insurance. If an agency says it will cover losses caused by the default of suppliers, get the details in writing.

### **TRIP CANCELLATION INSURANCE**

Trip cancellation insurance is usually available from your travel agent. Cancellation insurance may reimburse your money if you have to cancel a trip or part of a trip for a valid reason—a job transfer, a house fire or the serious illness of a traveller or family member. The policy specifies which reasons are valid, so read it carefully.

### **BAGGAGE INSURANCE**

Call your insurance agent to find out if your personal property insurance covers "temporary removal" of luggage and personal items from your principal place of residence. If it does not, baggage insurance will cover loss and theft of luggage or items in your luggage.

## **HEALTH AND ACCIDENT INSURANCE**

When you leave Alberta temporarily, you take your Alberta hospital and health care coverage along. Health costs across Canada are fairly similar, and generally you are well covered anywhere in Canada—either under reciprocal agreements among provinces or by submitting claims for reimbursement from Alberta Health Care. You will need your Alberta Health Care card to show your coverage, so carry it with you.

However, once you travel outside Canada, the picture can change, as the cost of health services in some countries can run much higher than in Alberta and Canada.

In other countries, the amount that Alberta Health Care pays on your medical claims or outpatient hospital claims is based on the Alberta rates for the same or similar services. The rate paid for an inpatient hospital claim depends on the size and type of hospital, with the maximum amount to be paid based on the cost of care per day at a similar hospital in Alberta.

You are responsible for any costs beyond what Alberta Health Care pays and the difference can be considerable. So it is advisable to buy additional medical coverage. Check with a number of insurance companies to see what they offer. Some companies cover only a percentage of the difference between what Alberta Health Care pays and the total bill. Others pay the entire difference. Many health and accident insurance policies have specific exclusion clauses regarding "pre-existing" diseases like a heart condition. Read policies carefully to find out what is covered and what is not.

### **BON VOYAGE**

If you spend time shopping carefully for a travel agent and making sure you have the right kinds of travel insurance, you're much more likely to have a worry-free holiday.





## TRAVEL AGENCIES AND INSURANCE

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## PAY NOW, USE LATER: A LOOK AT "FUTURE SERVICES"

### **WHAT ARE FUTURE SERVICES?**

Future services are those for which you sign a contract and pay up front, before you have received the services.

A number of industries offer these contracts.

- \* Health clubs allow you future access to some or all of their equipment in exchange for immediate payment of the membership.
- \* Funeral homes offer pre-arranged funeral and burial services.
- \* Travel agencies offer package deals on airfare and vacations, for which you pay all or part in advance of actually taking the trip.
- \* Some dance studios, tanning parlours, and weight loss studios also ask for money up front before you attend their sessions.

### **WHAT PROBLEMS CAN ARISE FROM FUTURE SERVICE ARRANGEMENTS?**

#### **Fitness Clubs**

Lifetime memberships have been a problem in the past, although they are no longer widely offered. If a fitness club went out of business, the membership ended up

being for the lifetime of the club, rather than of the member. Occasionally a company would collect membership fees from people before the facility was even built, which amounted to having the buyers take an involuntary business risk. Some operations were actually fraudulent, and collected the money without ever intending to operate the facility.

High-pressure sales techniques in selling long-term fitness memberships can be a problem. Also, some consumers have signed contracts thinking they were getting a special deal, only to find out that other potential members were offered the same deal for an equal or lower fee.

#### **Funeral Services**

There are also possible problems with prepaid funeral services. For example, if you change your city of residence, your wishes with respect to funeral services and burial might also change. You'll also want to know what protection you have if the funeral home goes out of business.

#### **Travel Industry**

Future services arrangements in the travel business can backfire, too. Some travellers have given a down payment on a trip, then found out that the travel agency has closed its doors. Others have been in the

middle of a pre-paid vacation when their tour operator has gone bankrupt. If this happens, the return tickets are only valid if the tour operator has paid the airline for them.

## **HOW CAN CONSUMERS PROTECT THEMSELVES?**

### **Health Clubs**

It's a good plan to start with a short-term trial membership in a health club. Ask about staff qualifications, terms of payment, and hours of operation. Find out if there are any extra charges after joining. It's a good idea to get all these details in writing.

Ask also about the club's history: how long has it been in business, and how many members does it have? If you are considering a long-term contract, study it very carefully, at home, before you sign.

### **Funeral Services**

Under the Prearranged Funeral Services Act, a company that takes payment for prearranging your funeral services must be licensed, and must put the money in a trust company or place it with the Public Trustee. The money is released to the funeral company after the client's death.

What happens if you change your mind about the services you've arranged? The Act provides for that — it requires the funeral home to refund the money on request, without penalty. Ask if interest will be paid on your money, at what rate, and what considerations have been given to inflation. What costs \$1000 today could easily cost double or triple that at the end of your life.

Ask about the possibility of transferring the plan, since you may not always live in the same place. Ask what will happen to your money and to accrued interest if the company closes before you require its services.

### **Travel Industry**

Ask if the agency provides a guarantee in case the tour company or airline should go out of business. Some travel agencies will provide a full refund in these cases, although they are not required to by law.

Some travel agencies sell default insurance. In order to take advantage of it, you must ask specifically for it, and pay for it. Default insurance will cover your losses if a tour operator suddenly goes out of business.

If the agency itself goes under, you may have some protection. The Alliance of Canadian Travel Associations (ACTA) generally tries to offer assistance to suppliers and customers of its member agencies who suffer financial losses as a result of the business failure of a travel agency. You can protect yourself by picking up your airline tickets as soon as possible after purchasing them.

The Canadian Institute of Travel Counsellors (CITC) monitors professional standards and training for travel agents. Some agencies carry IATA identification (International Air Transport Association). This means they must meet certain standards of experience and ethics.

These designations are no guarantee that you won't have problems with insolvency of tour operators and travel agencies. However, they do give some measure of security.

### **For More Information**

If you would like more information about future services and related topics, contact any office of Alberta Consumer and Corporate Affairs, or Box 1616, Edmonton, Alberta T5J 2N9. Ask for the tipsheets **Funeral Practices** and **Travel Agencies and Insurance**.



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## CONDOMINIUMS

A condominium is a form of real property ownership. In most cases, it is the ownership of a single unit within a multiple-unit structure much like an apartment within an apartment building. It also involves the shared ownership, expense, and responsibility of common property, for example, the hallways, elevator, plumbing, wiring, heating, roof, landscaped areas, and recreational facilities.

Owning a condominium is not the same as renting an apartment where all the duties and responsibilities of running the apartment are handled by the owner of the building and the caretaker. In a condominium development, you are the owner of a unit and the partial owner of common property. The responsibilities of home ownership belong to you and all the other unit owners in your condominium development.

### TYPES OF CONDOMINIUMS

A condominium can be a high-rise, a walk-up, a duplex, an office, a warehouse, a townhouse, or a recreational home.

It can also be bare land. This means that the condominium consists of lots or units of bare land which may then be used for mobile homes, recreational homes, detached single family dwellings, agriculture, or parking lots. In this case, the common property could include streets, walkways, or various recreational facilities, for example, parks, golf courses, and riding stables.

A condominium can be large, luxurious, and expensive, or it can be moderately priced, average sized, and simple. It all depends on what you want, what you can afford, and what is available in the area where you live.

### CREATION OF A CONDOMINIUM

#### Legislation

The **Condominium Property Act** is the legal basis for the creation of condominium developments in Alberta. Some of the items covered by the Act are:

- \* Division of the Board's and unit owners' responsibilities
- \* Developer's duties and responsibilities
- \* Budget and financial matters
- \* Assessment and taxation
- \* Management
- \* Rental of units
- \* Insurance
- \* Annual general and Board meetings

Copies of the Act are available for a fee from: Publication Services, 11510 Kingsway

Avenue, Edmonton, Alberta T5G 2Y5 or Main Floor, McDougall Centre, 455 - 6th Street, S.W., Calgary, Alberta T2P 4E8.

### **The Condominium Plan**

A project acquires condominium status when the condominium plan is registered at the Land Titles Office. The plan is probably the most important document dealing with the condominium, and it is very important that you, the prospective purchaser, obtain a copy and that you read and understand it.

Some of the items the condominium plan describes are:

- \* The legal numerical name of the Corporation
- \* Definition of a unit—what is owned by each purchaser
- \* Definition of the common property
- \* The exclusive use areas (e.g., backyards and balconies) that may be leased to the owners—optional
- \* The physical location of the condominium units
- \* The physical description of the development
- \* The unit factor for each condominium unit. The unit factor is used to determine your condominium fees and voting rights.

The condominium plan must be registered at the Land Titles Office where you can obtain a copy for a fee. While you are there, you should obtain a copy of the Additional Plan Sheet. The Additional Plan Sheet will confirm just what registrations have been filed by the Condominium Corporation. The registrations recorded on it should include the names and addresses of the current Board members, the current address for service of documents on the Condominium Corporation, and any changes

to the condominium bylaws. It should also set out any charges or encumbrances against the common property of the Condominium Corporation.

You should also obtain a copy of the Condominium Corporation bylaws. The bylaws have to be properly registered at the Land Titles Office in order to be enforceable. The initial bylaws of the Condominium Corporation will be those described in the appendices to the Act but most likely they will have been altered by the developer and a new set prepared. The bylaws that are registered at Land Titles Office will probably replace the ones found in the Condominium Property Act. You are bound by the bylaws when you purchase a condominium unit.

### **The Government**

When the condominium plan is filed by the developer of the condominium project, a Condominium Corporation is created.

The Condominium Corporation is a separate legal entity and has a form of government to run it. The Corporation has bylaws to regulate it and to provide for the management and administration of the units and the common property.

Each Corporation has a Board of Managers (the government of the Corporation) to which you and other owners may be elected. Active involvement in the governing of the condominium by the owners results in a more efficiently run condominium development and property which may appreciate in value. The Board's mandate is to:

- \* Enforce the bylaws
- \* Control, manage, administer, maintain, and operate the common property
- \* Arrange insurance, determine condominium fees, and deal with financial administration



To fulfill these requirements, some of the duties of the officers of the Board are to:

- \* Obtain all documents and materials from the developer as required by the **Condominium Property Act**
- \* Decide on how the condominium is to be managed
- \* Hire and supervise maintenance personnel
- \* Maintain authority and direction over a management company if the Corporation has hired one to run the condominium development
- \* Review and update bylaws
- \* Communicate with all the owners
- \* Make exterior repairs or capital improvements
- \* Set aside adequate replacement reserves

## Offences

A person who fails to comply with the **Condominium Property Act** may be guilty of an offence and liable to a fine. If a Corporation fails to comply with the Act, each member of the Board who is knowingly a party to that failure is guilty of an offence and liable to a fine. You and the other unit owners generally bear the cost of and are responsible for the enforcement of your rights and those of the Corporation.

Most of the offences are considered civil matters. Neither the municipal government nor the provincial government is responsible for resolving disagreements between the Condominium Corporation and the unit owners. However, it is possible to prosecute someone who fails to comply with Section 71 of the **Condominium Property Act**.

The Corporation may take action against an owner, tenant, or other person residing in a unit if a bylaw has been contravened and if

the Corporation is allowed to do so by its bylaws. Check the Act and bylaws for more information.

## WHAT YOU OWN

As the purchaser of a condominium unit, you acquire title to a unit which is typically bounded by walls, floors, and ceilings. You may also lease or have the right to use defined exclusive use areas, for example, the balcony which is attached to your unit, a parking stall, or the yard adjoining the unit.

Exclusive use areas are part of the common property and are sometimes designated as exclusive use areas on the plan. Areas intended for your exclusive use are sometimes obtained by a lease but are usually designated as assigned areas in the bylaws or records of the Board. You may have to refer to the bylaws to determine your right of use to these areas. The Condominium Corporation still retains ownership and control of these areas. However, you could be responsible for maintaining your exclusive use areas. Condominium Corporations have different policies as to what improvements you can make to these areas. If you have any questions, check with the Board of Managers before you buy.

Along with ownership of the unit, you will be responsible for the maintenance, repair, and remodelling of the interior of your unit. Check with the Board of Managers before beginning any remodelling to ensure that if the common property is affected, you have the Board's consent.

## WHAT YOU PARTIALLY OWN

Common property is generally all parts of the development not included within the boundaries of the individual units including hallways, sidewalks, landscaped areas, exterior walls and roof, boiler room, heating, plumbing, and parking as well as any recreational facilities. You may want to obtain a copy of the condominium plan so



that you know exactly what is included in your unit and what is the common property before you make an offer to purchase.

Your share of the common property is equal to the unit factor which is assigned to your unit. Every Condominium Corporation is divided into 10,000 equal unit factors. The unit factor for your unit is your portion of those 10,000 unit factors and is often based on the square footage of your unit and/or the location of your unit in the development.

## **FINANCING**

You will likely buy your condominium unit in exactly the same manner in which you would buy a conventional house. You will probably obtain a mortgage through a financial institution and make a monthly payment of principal and interest.

Consider determining if there is a blanket mortgage on the condominium development and how it may affect the discharge of your mortgage. You may want to seek legal advice for a complete explanation of a blanket mortgage and its possible implications.

## **COSTS**

### **Taxes**

You will pay municipal taxes on your condominium unit. The taxes should be noted on your listing agreement. Talk to your real estate salesperson. Check with your municipal government to determine exactly what the taxes are.

### **Insurance**

Insurance on the entire condominium development is the responsibility of the Condominium Corporation. The Corporation should have "all risks" property insurance coverage on the units and the common property. Consider checking the policy for

exclusions. You may want to find out if the insurance covers the replacement cost of the units and the common property. Your portion of the cost of the insurance purchased by the Condominium Corporation is usually included in your monthly condominium fees. Check this out with the Condominium Corporation.

You will probably need to buy your own insurance on improvements made to your unit as such insurance isn't provided by the Corporation unless it is a requirement of the bylaws. You should also have insurance to cover your contents and personal liability. Contact your insurance representative for complete information.

## **Condominium Fees**

You and all of the other unit owners within your condominium development will pay a yearly or a monthly condominium fee based on the unit factor for the maintenance, repair, and replacement of the common property. The condominium fees are set by the Board based on the budgeted needs of the Condominium Corporation. Most condominium fees are assessed yearly but payable monthly. If you are purchasing a new unit, make sure that the current condominium fee is stated in your purchase agreement. Otherwise, confirm the fees at the point-of-sale. Be aware that condominium fees can and do go up.

Also make certain that past condominium fees on your unit and the other units in the development have been paid. An unpaid condominium fee could be a claim against the unit you acquire. You could be responsible for the unpaid fees and could lose your title if the Corporation takes foreclosure action to collect them. Ask for an estoppel certificate which will disclose any defaults of the existing owner.

## **Reserve Fund**

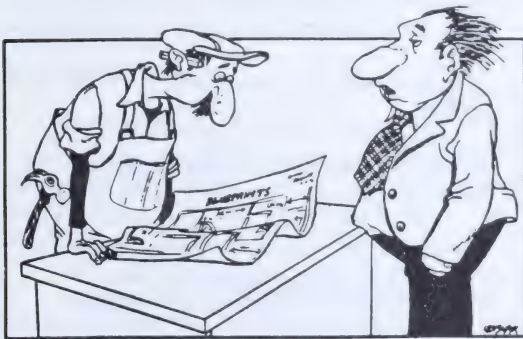
Find out if the Condominium Corporation has established a reserve fund for major



maintenance, replacement, and repair jobs on the common property, for example, the roof in 15 years or the furnace in 20.

Condominium Corporations created after May 16, 1978, may be required by their bylaws to have a capital replacement reserve fund. Make sure you check the bylaws. You should know how much of your condominium fee goes to this fund, how much is in the fund, what major expenses are being considered, and if the projected replacement costs are adequate. You should also know if the calculations (e.g., a reserve fund study) were done by a professional.

It is considered essential that the Corporation have a reserve fund so that it can meet expected and unexpected expenses without having to charge owners an additional fee or special assessment. This is particularly important if you are buying an older unit or a rental conversion unit.



"If you think the floor plan is complicated, you should see the financing."

## PURCHASING FROM A DEVELOPER

If you purchase your condominium from a developer, the **Condominium Property Act** will assist you. The Act states that the purchase agreement must contain a notice that the first purchaser of a residential unit may rescind the agreement within 10 days after the date the purchase agreement was executed. This means you may cancel the contract and receive a full refund.

For example, if the purchase agreement is to be executed on July 17, you would have 10 days until July 27 in which to rescind the agreement.

However, the purchaser may not rescind the purchase agreement if all the required documents have been delivered to the purchaser not less than 10 days before the execution of the agreement. For example, if the agreement is to be executed on July 17, and all the required documents are delivered to you on or before July 6, you do not have an absolute right to rescind the agreement. (See page 6 for a list of the documents.) You may want to seek legal advice.

Some items that must be included in the purchase agreement are a description, drawing, or photograph showing:

- \* The interior finishing of and all major improvements to the common property within a building
- \* The recreational facilities and other amenities
- \* The equipment to be used for the maintenance of the common property

The purchase agreement must also describe:

- \* The unit factor used to determine the condominium fees and the voting rights for the unit and how the unit factor was determined
- \* The amount or estimated amount of the condominium fees for the unit

The **Condominium Property Act** also states that a developer must hold in trust all monies paid by the purchaser until the developer substantially completes the improvements to the unit and/or the common property and provides the title document.

However, if the development is covered by the New Home Warranty Program of Alberta, the trust provisions are limited to those amounts which exceed precompletion



payment coverage offered by the Program. Precompletion payments represent all those payments made by the purchaser before title to the unit is transferred to him. The amount of precompletion payment coverage offered by the New Home Warranty Program is \$5,000. If the developer wishes, he may increase that coverage to \$20,000 by applying to the Program. The amount of precompletion coverage available on a specific project should be confirmed by contacting the New Home Warranty Program of Alberta before purchasing a unit.

If the project is complete, the developer is not required to hold any money in trust once the title documents have been given to the purchaser. You should make your own arrangements to confirm that your down payment is or will be held in trust. It may even be worthwhile having this requirement written into your purchase agreement.

### **PURCHASING A PREVIOUSLY OWNED CONDOMINIUM**

The disclosure and trust provisions of the Act are not binding on someone who is selling his own condominium unit. It is up to you to obtain the necessary documents and information. You may want to seek legal advice.

### **DOCUMENTS**

Whether you purchase your condominium from the developer or from someone else, you should obtain these documents. The seller, the Land Titles Office, or your lawyer may be able to assist you.

- \* The purchase agreement
- \* The bylaws or proposed bylaws
- \* Any management agreement
- \* Certificate of insurance
- \* The lease of the land if it has been leased to the developer

- \* The certificate of title for the unit
- \* Any mortgage
- \* The condominium plan
- \* Any recreational agreement

The Condominium Corporation must provide you with the following documents within 20 days of your written request:

- \* A statement of unpaid condominium fees on the unit
- \* The bylaws
- \* Particulars of any legal action against the Corporation
- \* Particulars of any unsatisfied judgment for which the Corporation is liable
- \* Particulars of any written demand made upon the Corporation for \$5,000 or more
- \* A copy of the Corporation's current budget
- \* A copy of the most recent financial statement
- \* A copy of any minutes of general meetings of the Corporation and meetings of the Board of Managers
- \* The particulars of or a copy of any management and recreational agreements

Some of this and other information is often contained in a document called an estoppel certificate. When you request the certificate or the information, you should also request the names and addresses of the Board members. These names and addresses can also be obtained at the Land Titles Office. Consider not closing the purchase of a condominium unit without first obtaining an estoppel certificate.



## YOUR RIGHTS AND RESPONSIBILITIES

Some of your rights and responsibilities are:

- \* The right to vote in matters concerning the condominium subject to any restrictions contained in the Act and registered bylaws
- \* The right of access to common areas subject to the bylaws and the provisions of the **Condominium Property Act** governing the use and occupation of these areas
- \* The responsibility to participate in governing the condominium, for example, serving on the Board of Managers
- \* The responsibility to become aware of and abide by all resolutions and bylaws
- \* The responsibility to maintain your own unit

## BUYER BEWARE

Note that the information in this tipsheet is intended only as a guide. For complete information, refer to the Act and regulations. You may want to seek professional assistance.

Proceed carefully and make sure you have answers to these questions before you buy.

- \* Who built the condominium and who were the subcontractors? Check their reputations.
- \* What is the history of the development, for example, are there any persistent plumbing difficulties or difficulties with other utilities?
- \* If you are buying from a developer, what work remains to be done on the condominium development? Do you have the proper assurance that it will be done and that it will be completed by a certain date?

- \* Is there an operating surplus or deficit?
- \* Do you have a recently audited financial statement, a current budget, and evidence of adequate insurance coverage?
- \* How much money is in the reserve fund?
- \* How much is the condominium fee and what does it cover? Remember that additional fees can be imposed.
- \* What are you getting with the unit? Is parking being assigned? Is there storage space? Is there an exclusive license to the yard in a townhouse or to the balcony in an apartment?
- \* Does the common property appear to be well-maintained and managed?
- \* Have any transactions taken place affecting the common property such as transfers, leases, or redivision of the units?
- \* Are the recreational facilities owned by the unit owners as common property or are they leased by the Condominium Corporation? If they are owned, is their use shared with persons or organizations other than the unit owners? If they are leased, what are the terms and the duration of the lease?
- \* Is there a sufficient number of units in the complex to support the cost of repairs and maintenance of common areas? As a prospective purchaser, do you think that these expenses are reasonable?
- \* How many of the units are unoccupied?
- \* How many units have been rented?
- \* Are you personally responsible for any maintenance duties?
- \* Are there any restrictions included in the bylaws? There may be restrictions on



age, children, pets, hanging clothes outside, adding anything to the exterior. Read the bylaws carefully.

#### FOR MORE INFORMATION

- \* Talk to the people who live in a condominium development of the same type or if possible, in the actual development that you are considering.
- \* These publications: **Buying a House, Inspecting a House, Mortgages, and A Guide for Condominium Managers** are available from any office of Alberta Consumer and Corporate Affairs or by writing to Box 1616, Edmonton, Alberta T5J 2N9.

- \* A condominium organization you may wish to contact is:

Canadian Condominium Institute  
North Alberta Chapter  
Box 777  
Main Post Office  
Edmonton, Alberta  
T5J 2L4  
Telephone: 473-4645

South Alberta Chapter  
1800 Bow Valley Square 2  
205 - 5th Avenue, S.W.  
Calgary, Alberta  
T2P 2V7  
Telephone: 266-1399

#### ALBERTA CONSUMER AND CORPORATE AFFAIRS OFFICES

##### CALGARY 297-5700

301 Centre 70  
7015 Macleod Trail South  
Box 5880, Postal Station A  
Calgary, Alberta  
T2H 2M9

##### EDMONTON 427-5782

3rd Floor, Capilano Centre  
9945 - 50 Street  
Edmonton, Alberta  
T6A 0L4

##### FORT MCMURRAY 743-7231

Fort McMurray Provincial Building  
5th Floor, West Tower  
9915 Franklin Avenue  
Fort McMurray, Alberta  
T9H 2K4

##### GRANDE PRAIRIE 538-5400

Provincial Building  
10320 - 99 Street  
Box 7  
Grande Prairie, Alberta  
T8V 6J4

##### LETHBRIDGE 381-5360

300 Professional Building  
740 - 4 Avenue South  
Bag Service 3014  
Lethbridge, Alberta  
T1J 4C7

##### MEDICINE HAT 529-3535

303 Provincial Building  
770 - 6 Street S.W.  
Medicine Hat, Alberta  
T1A 4J6

##### PEACE RIVER 624-6214

Provincial Building  
9621 - 96 Avenue  
Bag 900, Box 9  
Peace River, Alberta  
T0H 2X0

##### RED DEER 340-5241

2nd Floor, Provincial Bu  
4920 - 51 Street  
Red Deer, Alberta  
T4N 6K8

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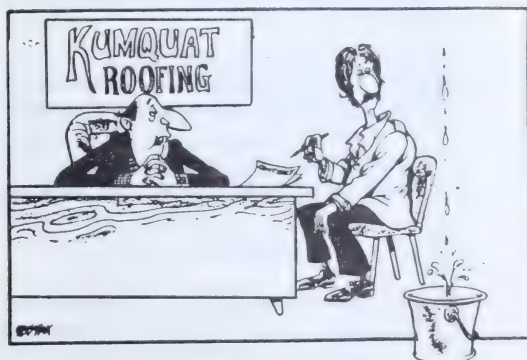


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## HOME IMPROVEMENTS: HOW TO HIRE A CONTRACTOR

Sooner or later, every homeowner faces the problem of hiring somebody to do repair or improvement work around the house. Even a dedicated and experienced home handyman may need a professional once in a while because of the nature or size of the job.



"Rest assured we do  
a first rate job."

Too often the experience is an unhappy one. The work may not start when it's supposed to, or takes much longer than expected. Instructions may be misunderstood or not followed correctly. Occasionally the wrong materials are used, or the work is done badly. The final price may turn out to be much higher than the original estimate. Sometimes there is a problem getting the contractor to come back and finish the last few "minor" details. Or worse, he gets into financial difficulties and leaves a partly

finished job that the homeowner ends up paying for twice.

Very few home improvement jobs turn out as badly as this, and not all such problems are the contractor's fault, of course. But problems of some kind between contractor and homeowner are not uncommon, and this tipsheet will help you avoid them. It will also help you to deal with contractors effectively and fairly, and make sure you get what you want—and pay for. All it really requires is a little care and patience, and a healthy skepticism about verbal claims and promises.

### IDENTIFY THE PROBLEM

Before you start, make sure you know exactly what it is you want done.

Discuss the project with your family. Make notes, then take the time to write down a complete description of the work you want. Use pictures or sketches to illustrate your ideas and clarify your needs. Later on develop more detailed drawings. Specify the type and quality of materials. Give the same details to all the contractors so they will know what the job requires and will be bidding on the same work.

### SHOULD YOU DO THE WORK YOURSELF?

You can reduce the cost of home improvement work considerably, and get a



lot of personal satisfaction, if you have the time and ability to do some of the work yourself. Even if you're not an expert, there are a number of excellent how-to-do-it books and magazine articles that give clear, simple instructions on almost all types of home improvement work.

But don't overestimate your abilities or the amount of time you have available. Do-it-yourself projects almost always turn out to be more complicated than they seem, and most of them take a great deal longer than expected.

In most municipalities in Alberta you can do any work you want on your own house, provided you take out the required permits, follow applicable codes, and have the work inspected by the appropriate authorities. But work that you hire someone else to do—notably wiring, plumbing and gas fitting—can only be done by qualified tradespeople. Check this with your local authorities and also with your insurance company.

Contractors can buy materials at lower prices than most homeowners and, if they pass these savings on to you, doing your own work doesn't always save as much as you expect. You can have insulation blown into an attic, for instance, for about the same cost as doing the work yourself. So check the cost of the materials and any special tools you will have to buy or rent before you decide whether or not to take on the work.

## WHO DOES WHAT?

Many of the problems that owners have in their dealings with contractors are due to a misunderstanding of the rights, responsibilities and function of the various people who are involved in the work.

### The **homeowner**:

- \* Decides what is to be done
- \* Selects the contractor

- \* Provides the drawings and specifications
- \* Makes sure the contract describes the job completely and correctly
- \* Obtains zoning approval, if required
- \* Obtains necessary permits, or has the contractor obtain them
- \* Phones the Alberta First Call Location Service 1-800-242-3447. Before doing any excavating, call to find out where any cable or pipelines are buried. The service should be requested at least two working days in advance of any excavating to have the facilities marked. Cable television companies must be called separately.
- \* Provides the space and freedom the workers need to do their work
- \* Informs the contractor about deficiencies or mistakes as quickly as possible
- \* Makes the final decision on whether or not the job has been done satisfactorily
- \* Pays for the job as required by the contract and the **Builders' Lien Act**

### The general **contractor**:

- \* Obtains required permits, if agreed in the contract, and arranges for necessary inspections, although the homeowner is ultimately responsible
- \* Carries out all the work described in the contract (unless he has written authorization for changes)
- \* Maintains public liability and property damage insurance and workers' compensation. Ask for the name of the insurance company and call them to verify that the policies are in force
- \* Supervises and pays workers, suppliers and subcontractors, and ensures that work is of good quality

If a number of different types of jobs are to be done in your home, it may be wise to hire a contractor who will supervise all the subcontractors, particularly if you are inexperienced in co-ordinating such jobs. Dealing directly with the subcontractors may appear to be less expensive, but quite often hiring a general contractor will save you money and trouble. You will only have to deal with one person who is responsible for supervising, scheduling and checking a number of different subcontractors.

The **foreman** is the boss of the work crew. It is a good practice to direct general queries or comments about the work to the foreman, rather than to the individual workers.

The **subcontractor** is hired by the general contractor to do special work the contractor's crew is unable to handle, such as plumbing and wiring. He gets his instruction from, and is responsible to, the general contractor.

Different **inspectors** are usually assigned to check various aspects of the installation and are responsible for seeing that the work is done according to the requirements of the various codes. The inspectors are not responsible for ensuring that the work is done to your satisfaction.

## FINDING A CONTRACTOR

Satisfied customers are the best recommendation for a contractor. If you need a certain type of work, try to remember which of your friends or neighbours had such a job done within the last few years. Ask them if they were satisfied with the work and the price.

While contractors who have been in business for a long time can usually prove they are reliable and dependable, you should realize that younger firms can be equally trustworthy. Check out their recent work.

Local building supply and hardware

stores may be able to suggest a good contractor. Some of the larger stores do home improvement contract work themselves.

Your local home builders' association which is affiliated with the Canadian Home Builders' Association may be able to give you the names of members who do home improvement and remodelling work.

You can also look in the Yellow Pages of your telephone directory under General Contracting, Building Contractors, or the particular field of work you want done (roofing, insulation, waterproofing). But this is the least desirable way to select a contractor because it carries no recommendation or approval whatever.

## MAKING THE SELECTION

### Estimates

Get written estimates from more than one business. Whether they are called "offers", "tenders", "bids", "quotes", or "estimates", see that they list a description of the work to be done, the materials to be used and their quality, the beginning and completion dates, the total price, guarantees, and the method of payment.

Don't choose a contractor because you like his face or the friendly way he talks. A pleasant manner is no assurance of reliability, unfortunately.

### Licenses and Bonds

Ask contractors if they are licensed and bonded. You may check the nearest office of Alberta Consumer and Corporate Affairs.

Contractors must be licensed by Alberta Consumer and Corporate Affairs and bonded by a bonding company if they meet both of these conditions:

- \* They accept money before the work is complete, and



- \* They solicit the work, negotiate the contract, or conclude the contract away from their normal place of business—in your home, for example.

Contracts are concluded in a number of ways. If you shake hands, or say it's okay to do the work, or sign a document, you've concluded a contract.

Contractors who complete all the required work before any payment is made do not require a license or a bond. Give prepayments only to licensed contractors.

### Qualifications

Ask if the tradespeople doing the work have the qualifications for the job. Ask to see the pocket certificates issued by Alberta Career Development and Employment.

### References

Ask the contractor for the names of customers in your area. If possible, arrange to see those completed home improvement projects. Most people will be glad to help you. But make sure they're not relatives or business associates of the contractor. Reputable firms will not be offended by your questions.

Phone your local office of the Better Business Bureau. They keep a record of all complaints received against contractors working in the area.

### Homeowner Beware

Finally, beware of contractors:

- \* Who knock on the door to tell you they just happen to be doing some work in the area and can give you a "special price".
- \* Who promise a discount if you allow them to use your home "to advertise our work". Probably the same offer will have been made to everyone.

- \* Who quote a price without seeing the job.
- \* Who demand a large down payment "to buy materials". Most reputable contractors can maintain charge accounts with their suppliers.
- \* Who refuse to give you a written contract specifying exactly what they say they will do.
- \* Whose only address is a post office box, a telephone number, or the address of their answering service.

### THE CONTRACT

Once you've selected the contractor, you need to prepare a firm contract. An estimate is not a contract. A piece of paper describing certain work to be done and giving a price for doing it becomes a legal document that is binding on both parties once they have signed it.

Although some firms use printed contract forms, there is no such thing as a standard contract. Each is an individual document covering a special situation. Any blank spaces on a printed form should be filled in with N/A (not applicable) or NIL (nothing). Strike out anything you don't agree with or ask that the contract be rewritten. Initial changes and deletions.

Don't sign anything until you have read it carefully, understand what it says, and are satisfied that it describes exactly what you want and contains everything you have been promised. If not, insist that it be written into the contract and initialed. Although verbal assurances are binding, they are difficult to prove.

Include in the contract:

- \* Full names and addresses of buyer and seller, in other words, yourself and the contractor. Make sure the firm you have been dealing with is the one named in the contract. Include its telephone number.

- \* A detailed description, with sketches, if appropriate, of the work to be done and the quality or type of materials to be used, including all work that is being subcontracted, such as plumbing and wiring. This is the area where most misunderstandings and problems can arise. It's extremely important to agree on clear, exact job specifications. Don't accept verbal assurances. Get it in writing.
- \* Assurance that all necessary permits will be obtained by the contractors and that all work will be done according to local codes. Ensure that the inspections by the authorities are made at the proper times.
- \* A statement that the contractor is responsible for removing all debris as soon as construction is completed.
- \* A statement that the contractor will repair or replace property damaged in the course of the work.
- \* A statement of all warranties, explaining exactly what is covered, for how long, and what will be done if problems arise. A guarantee is only as good as the person or company backing it.
- \* A statement of the contractor's public liability and property damage insurance.
- \* Definite starting and completion dates.
- \* The total price, including the amount of the down payment and the schedule of payments. (See Paying for the Work, pp. 6-7).
- \* Place and date of the contract.
- \* Signatures of buyer and seller.

Small home improvement jobs such as roofing and painting don't require as detailed a contract as described, but none should be undertaken without at least a written statement of the work to be done, the

materials to be used, the warranties given, the cost, the method of payment, and the start and completion dates.

### Contingency Clauses

A contractor will sometimes include a contingency clause allowing an additional charge in case of problems, such as running into solid rock when excavating a basement. It allows for the cost of materials and labour, plus the cost of overhead and normal profit. This is perfectly legitimate, and better than having him quote a higher price in order to cover himself for all such possibilities.

### Legislation and the Contract

A written contract is your best protection, although many projects are completed without one. In Alberta when a contract is worth \$200 or more, a "prepaid" contractor, that is, a contractor who accepts money before the job is completed, must give you a written contract containing:

- \* The place and date of the contract
- \* The name and address of the contractor and the buyer
- \* A description of the services and work to be done
- \* The quality or type of materials to be used
- \* The total price and conditions of payment including the amount of the down payment and the schedule of payments
- \* The completion date

The contractor must give you a copy of the written contract, containing all the information listed above, on or before the date the work begins or within 10 days after you sign the contract, whichever comes first.



## Changes and Additions

No matter how carefully the contract has been written, some changes are almost certain to be made before the job is finished—because construction problems require them, materials are no longer available, or the homeowner wants something different.

For the protection of both parties, changes should never be made without the written approval of the homeowner and a signed statement from the contractor giving the extra charge to be made (or cost reduction, in some cases). Do not accept verbal assurances.

If the work is being financed by a loan, check to see if someone from the loan authority must approve the change. But be sure you know where the extra money is coming from.

## Cancelling a Contract

According to the **Direct Sales Cancellation Act**, written contracts which are solicited, negotiated, and concluded in your home can be cancelled not later than four days after the date you receive your copy of the contract. If the fourth day falls on a Sunday, a statutory holiday, or a day that the business is normally closed, you have one additional day to reconsider. Write the letter of cancellation and personally deliver or mail it to the contractor. The notice of cancellation is considered to be given at the time of mailing. Proof of date of mailing is provided when mail is registered. You do not have to give a reason for the cancellation. Other rights of cancellation may apply. Contact the nearest office of Alberta Consumer and Corporate Affairs for more information.

## PAYING FOR THE WORK

A down payment is seldom required on routine home repair and improvement work. Even major projects are often undertaken

without a cash advance. Where a down payment is required, make it as low as possible. When special appliances, materials or custom cabinetwork must be ordered by the contractor, it may be advisable to make your cheque payable jointly to the contractor and the supplier.

A cheque is not only safer than carrying substantial amounts of cash, it also gives you a record of the payment. If you don't have a chequing account, get a signed receipt from the contractor when the payment is made.

Most small jobs take no more than a few days to do, so usually payment is made at the end of the job. For larger jobs, however, it is common practice to make interim payments—but only for the work that has been completed, and even then, never for the full amount. Write the schedule and terms of payment into the contract. Some money should always be held in reserve to ensure satisfactory completion of the work.

Avoid "progression" clauses that require payments at specific times, regardless of the amount of work that has been done.

## Builders' Lien Act

Another reason for withholding some of the money from all payments, including the last one, is to protect yourself from liens that can be placed on your property by suppliers or workers who were not paid by the contractor.

A lien is a claim on a property for payment of a debt. It is a notice that someone is claiming a right to be paid out of the value of a particular piece of property.

Liens can be registered on title records for individual properties. Title records are kept on file at provincial Land Titles Offices. They show who owns land and anyone else who claims to be entitled to a portion of the value of the land. You can get copies of property title records by paying a small fee.

You will find it difficult to mortgage or sell your property while a lien is noted on your title record.

### Holdbacks

Before you make any payments, protect yourself by following the steps below. Do this whether you are going to make interim payments or several "progress" payments as parts of the work are completed, or whether you are making a single payment when the project is finished.

You are responsible for the holdback money. Keep the holdback money for 45 days after the work is completed or after the materials are received or after notice in writing is received from the contractor that states the renovation is ready to use. Then check the title record at the Land Titles Office again. If no lien has been registered, you can safely pay the holdback money to the contractor. If a lien has been registered, contact a lawyer for advice.

### Removing Liens

There are two ways to remove liens from property records.

The first way is either to pay the money claimed or negotiate a smaller amount to settle the claim. When you pay the people who have registered liens, always ask them to sign "discharge" documents and file the discharges at the Land Titles Office. A discharge will remove a lien from the property record.

The second way is to go to court to ask a judge to order that the lien be removed. This is simple if you have followed the requirements for holdbacks according to the **Builders' Lien Act**. It can be long, expensive, and frustrating if you have not.

### Completion Certificate

Do not make the final payment, or sign a

## Steps to Take When Paying Your Contractor

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1. Before making each payment, check the property title record at the Land Titles Office

#### **If no lien has been registered:**

2. Total the value of work or materials supplied up to the time the payment is to be made
  3. Calculate 15% of the total
  4. Deduct 15% from the payment
  5. Hold back this 15% and keep it in a safe place
  6. Give the remainder to the contractor
- 

#### **If a lien has been registered:**

2. Do not pay any money for the improvement work or materials until the lien claim is settled
3. Contact a lawyer for advice on the best procedure for settling the claim and removing the lien from the title record



completion certificate, or any other document that releases the contractor from further responsibility, until everything you were promised has been done to your satisfaction. If the contractor assures you he will be back "in a few days to finish everything off", tell him his cheque will be ready then, too.

## **HOW TO HANDLE PROBLEMS WITH YOUR CONTRACTOR**

If you have a disagreement with your contractor, the first rule is, "be reasonable". Go over the contract with him calmly and listen carefully to what he has to say; he may be right. If you are still dissatisfied, seek another opinion before taking action—from a knowledgeable friend or, if serious enough, from your lawyer.

Delays, poor workmanship and misunderstandings about the scope of the work are the most common complaints. Some contractors try to keep several jobs going at once by jumping back and forth between them—with days, even weeks between appearances.

Care in selecting a contractor is the best protection against this problem. A contract with definite starting and completion dates will help, but these are often difficult to enforce.

If the completion date passes or it seems the contractor has abandoned the job, you may also send a registered letter stating that you are giving the contractor "X" days to complete the work after which you will hire

another contractor to complete the work with monies to be deleted from the original contract. This should only be done when an estimate from another contractor is obtained and the money from the contract is sufficient for the work to be completed.

Unsatisfactory business practices can be reported to the nearest office of Alberta Consumer and Corporate Affairs. This office will take whatever action its laws provide for or it deems necessary.

If you think that some of the work is not up to code standards, report it in writing to the appropriate inspection department. If it doesn't meet code requirements, the contractor will have to correct it at his own expense.

The Better Business Bureau, a consumer protection agency funded by business membership fees, handles consumer inquiries and complaints.

## **Protect Yourself**

Contracts for extensive home improvements can be complicated. If you are not sure of something in the contract, ask for an explanation. If you're still in doubt, take it to a lawyer.

The Lawyer Referral Service (call Calgary 263-5988 or toll-free 1-800-332-1110) will give you the names of three lawyers. You may arrange an appointment with one or with each lawyer. There is no charge for the first half hour of each appointment.

Adapted from How to Hire a Contractor, published by Canada Mortgage and Housing Corporation, which has generously permitted the use of extensive excerpts from its publication.





